

MOTION BY SUPERVISOR SHEILA KUEHL

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The County currently procures approximately \$300 million worth of various market-based commodities each year. These primarily include electricity, natural gas, vehicle gasoline fuels, and carbon market compliance instruments. The County's use of these commodities is monitored by the Internal Services Department (ISD) as part of the County's implementation of the California Global Warming Solutions Act (AB32) which requires the State to reduce greenhouse gas emissions to 1990 levels by 2020. The County has recently voted to support Senate Bill 32 which, if signed into law, would require the State to achieve even more aggressive greenhouse gas emissions reductions, reaching 40% below 1990 levels by 2030 and 80% below 1990 levels by 2050.

While ISD *monitors* all commodities as part of AB 32 compliance, it actually *manages* only electric utility and natural gas procurement on behalf of the County: To date, ISD centrally manages nearly all of the County's thousands of electric utility and natural gas accounts with the various investor-owned and municipal utilities. ISD charges a 3% service charge for providing this service. Since 1995, this centralized management of electric and natural gas utilities has provided the following benefits:

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- The County's utilities budget is managed by a single entity that can anticipate, report on, and take advantage of price changes, total utilities payments and total energy consumption.
- ISD has developed expertise in electricity and natural gas legislation, the associated regulatory framework, and technologies, which is largely centralized within a single entity, thereby eliminating redundancies in staffing across departments.
- Electricity and natural gas price fluctuation risks are managed through fixed - price, long-term contracts, thereby mitigating price fluctuation and providing cost certainty, which is important for departmental budgeting.
- ISD's service charge of 3% has made it possible for ISD, on behalf of the County, to develop and maintain an energy efficiency and conservation program that has reduced the County's consumption of electricity and natural gas. Additionally and importantly, this centralization of the County's electric utility and natural gas accounts has made it possible for ISD to leverage utility ratepayer funding, private capital lending, American Recovery and Reinvestment Act grants, energy litigation settlements and County general fund investments. These resources have helped account for nearly \$100 million in energy project investments that have resulted in over \$200 million in total energy expenditure reductions through the implementation of hundreds of projects in County buildings.

Given ISD's success in electric utility and natural gas procurement on behalf of all County departments, as well as its expertise in leveraging funding for green projects that save the County money and help reduce its carbon footprint, the County should explore centralizing the procurement of vehicle fuels within ISD. Any such centralization

should occur in advance of the development of the Chief Executive Officer's Fiscal Year 2016-17 Recommended Budget and should minimize the administrative burden on County departments, to the extent feasible. Like electricity and natural gas, vehicle fuels are priced in an extremely volatile price market, and the County would benefit from a comprehensive risk-mitigation strategy related to vehicle fuels. Moreover, ISD already solicits proposals and executes agreements for the purchase of vehicle fuels for all County departments; centralizing the overall procurement and management of the County's vehicle fuel within ISD is an appropriate next step.

**I, THEREFORE, MOVE** that the Board of Supervisors direct the County Sustainability Council to submit a report to the Board in 45 days that includes an analysis of creating a centralized countywide vehicle fuels procurement and fuel management program within ISD. The analysis on a centralized vehicle fuels procurement policy and fuel management program should include the County's emergency and non-emergency vehicle fleets managed by ISD, the Department of Public Works, the Sheriff and the Fire District and should assess:

1. Centralizing the procurement and contract management of vehicle fuels within ISD on an on-going basis;
2. Developing standardized and regular reporting of total vehicle fuel usage, fuel spending, and commodities pricing;
3. Providing price risk management strategies that protect the County and departments from market pricing volatility, which should include input from the Treasurer and Tax Collector and the Auditor-Controller; and

4. Using fuel program revenues to support the County's established greenhouse gas emissions reduction programs, with a particular emphasis on "greening" the County's vehicle fleet.

S:KY/Fuels Procurement and Management Consolidation